

CITY OF HAYWARD AGENDA REPORT

AGENDA DATE 06/07/05

AGENDA ITEM 10

WORK SESSION ITEM

TO:

Mayor and City Council

FROM:

City Manager

SUBJECT:

Operating Budget for the City of Hayward and Redevelopment Agency for Fiscal Year 2005-06, the 2005-06 Capital Improvement Program Budget, 2005-06 Master Fee Schedule, the 2005-06 Community Promotion Program, and the 2005-06 Gann

Appropriation Limit

RECOMMENDATION:

It is recommended that, following public testimony, the City Council direct staff to prepare the necessary resolutions to implement the budget for Fiscal Year 2005-06.

BACKGROUND:

At the mid year budget review in March, staff discussed with the Council a possible \$2.6 million shortfall for fiscal year 2005-06. The recommended operating budget for FY 2005-06 improves on this projection, and now forecasts a revenue shortfall of approximately \$2.1 million.

Due to the revenue shortfall, the budget continues to rely on the use of undesignated contingency funds to achieve a balanced spending plan and to maintain most essential City services to Hayward residents. Significantly, the budget does not call for any layoffs, nor does it freeze any additional positions beyond those frozen this year. Moreover, the budget contains funds to resume operation of Fire Station Number 9. For FY 2005-06, the budget represents expenditures of \$172.1 million for all City funds. Of this total, \$100.2 million is in the General Fund, and \$49.7 million is in the Enterprise Funds, with the balance distributed between the City's Special Revenue, Debt Service and Internal Service funds.

The budget, which includes the Redevelopment Agency, was provided to the City Council in early May and has been available for public review since that time. By way of summarizing the FY 2005-06 operating budget, the budget message is attached as Attachment A.

The Council held work sessions on May 24 and 26 to review and discuss the operating budget. As a result of comments voiced at the work sessions, certain revisions are proposed to be made to the budget document in terms of new objectives. These are noted in Attachment B and will be incorporated into the document when printed in final form.

During its deliberations, a couple of items were raised which require Council direction.

It was suggested that funds be allocated to install rest arms in the benches located around City Hall (the benches installed downtown have the arm rests). If the Council desires to do so, it should direct

staff to include a General Fund appropriation of \$11,000 for this purpose in the budget resolution that will be prepared for your consideration.

The Council also discussed the need to look at some of the issues affecting the South Garden neighborhood. Some suggested this could best be accomplished by undertaking a neighborhood planning process. It is not possible to do this with current, constrained staffing levels, and staff does not recommend adding staff for this purpose. Also, based on past meetings in the neighborhood, it appears that many of issues requiring attention are less of a planning or land use nature, and more of the type we address in other parts of town, examples of which include controlling traffic and speeding, community preservation related issues, clean and litter removal, to name a few. Accordingly, staff suggests that these issues can best be addressed by holding another community meeting, likely some time in fall. At that time, we can report on action taken by the City with regard to the issues raised at the previous meeting held in the neighborhood, and also seek to identify issues which still need attention. We believe this can be done with current resources.

Five Year Capital Improvement Program

In addition to the Operating Budget, the Council reviewed the Five Year Capital Improvement Program (CIP) Budget. As previously noted, the Planning Commission has also reviewed the CIP and confirmed that it is consistent with the general plan. Attachment C represents a summary of the CIP Budget.

Master Fee Schedule

At the May 31 work session, the Council reviewed the Master Fee Schedule and expressed concurrence with staff recommendations. For reference, the staff report presented at the work session appears as Attachment D. Any changes that Council may wish to make as a result of the public hearing will be incorporated into the Master Fee Schedule and reflected in the June 21 agenda report.

As reported during the worksession, we need to undertake additional analysis of the bid received for the planned improvements to the wastewater treatment facility. Accordingly, we propose to defer action on the changes to our sewer rates and connection fees until this analysis has been completed. Staff proposes to present a formal recommendation to you on both items (award of the bid and rate adjustments) in July.

Staff still recommends approval of adjustment to the water facility fee as outlined in the memorandum which follows Attachment D.

Community Promotion Program

At the May 31 work session, Council reviewed the Community Promotion Program. For reference, the staff report presented at the work session appears as Attachment E. Council direction regarding final funding levels is requested.

Gann Appropriation Limit

The FY 2005-06 Gann Appropriation Limit is included as Attachment F. As the Council will recall, the Gann Limit, or State Proposition 4 approved by California voters in November 1979, places limits on the amount of revenue that can be spent by government agencies. The limit is based on actual appropriations during the 1978-79 fiscal year (the "base" year) and is increased each year using population and inflation growth factors.

The City's recommended annual budget has been far below the limit each year, which is the case again for 2005-06.

Public Hearing and Adoption of Budget

The purpose of the June 7 public hearing is to provide an opportunity for the Council to receive testimony from the public. Following public testimony, the Council is requested to provide direction to staff so that the necessary implementing budget resolutions can be prepared and presented for formal action on June 21, 2005.

Jesús Armas, City Manager

Attachments:

A - Budget Message

B – Modifications to Budget Objectives

C - Capital Improvement Program Message and Working Assumptions

D – Master Fee Schedule

E – Community Promotion Program

F – Gann Limit Information



CITY OF HAYWARD OFFICE OF THE CITY MANAGER May 13, 2005

Honorable Mayor and City Council:

Earlier this year, during the mid-year budget review, staff forecast that there would be a revenue shortfall for 2005-06 of approximately \$2.6 million. This recommended budget for 2005-06 improves somewhat on that projection, but still contains a revenue short-fall of approximately \$2.1 million. Consequently and as previously discussed, recommended 2005-06 budget for continues to rely on the use of some of Fund's undesignated General contingency reserve to achieve a balanced spending plan.

Over the past few years it has been necessary to "freeze" positions, with the resultant salary savings utilized balancing the budget. For 2004-05, this meant that the General Fund had approximately 83 positions frozen. In the short term, a personnel reduction of this magnitude can be somewhat accommodated and the impact to services is minimized; in the long-run, services suffer and personnel resources strained. Certainly, there is the hope that commencing in 2006-07 we will be able to begin to reinstate some of these positions. Still, this budget does not freeze any additional positions for 2005-06.

As I have indicated in the past, I believe it is important that General Fund reserves be used cautiously. Future years will have budget issues to deal with, some of which can be foreseen now. If reserves are not carefully managed, budget flexibility for future periods may be compromised. This has been Council's direction in the past and I believe it is essential that this direction is maintained in the future.

Routine adjustments to various revenue accounts such as Property Tax, Sales Tax and other revenue accounts are reflected in the budget I am submitting you. As will be discussed in greater detail later, in general revenues continue to show strength. Overall revenues are up approximately \$4.1 million over the estimated actual revenues for 2004-05.

With respect to expenditures. am recommending limited increases the Employee Services category. The increased costs primarily reflect the reopening of Fire Station Number Nine and increases in costs associated with PERS and related medical benefits. Other expenditure areas such as Maintenance & Utilities and Supplies & Services generally have been held to the 2004-05 levels. In effect, this is a budget reduction as I am requiring the various City departments to absorb any price increases.

I believe the departments have risen to the occasion and have carefully reviewed their operating budgets to see where costs can be trimmed while striving to maintain service levels.

BUDGET OVERVIEW-2005-06

The recommended 2005-06 operating budget is a balanced spending plan totaling \$172 million for all funds. Of this amount, \$100 million is for the General Fund, \$49.8million is for Enterprise Funds, \$11.6 million is for Internal Service Funds, \$4.1 million is for Special Revenue Funds, and \$6.5 million is for Debt Service Funds. The following chart illustrates the composition of the City's operating budget by fund type.

City of Hayward Operating Budget— All Funds (\$ In Millions)



This message focuses primarily on the General Fund, as this is where most City services are budgeted. By way of summary, the following table provides an overview of the total General Fund revenues and expenditures as recommended for 2005-06.

2005-06 General Fund Revenues and Expenditures (\$000's)

Revenues Expenditures	* 92,980 94,876
Transfers In Transfers Out	5,131 5,338
Excess of Revenues (Expenditures)	(2,103)
Use of Contingency Reserve	2,103
Net Revenues (Expenditures)	-
Beginning Fund Balance	21,866
Less Reserves Used	(2,103)
Ending Fund Balance	\$ 19,763

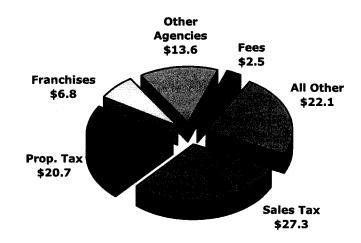
As can be seen from the schedule above, recurring General Fund expenditures are not in line with recurring revenues. Through the use of reserves, the budget is balanced for 2005-06. However, this is not a long-term solution. In order for the General Fund to be on a solid financial footing it will be necessary to bring expenditures in line with revenues. I

believe that the 2005-06 recommended budget makes a substantial move in that direction.

Revenue Estimates – Sources of Funds

General Fund revenues come from several sources, the most significant of which are Sales Tax and Property Tax. However, there are other important revenue sources for the General Fund, such as the Real Property Transfer Tax and the Motor Vehicle In-Lieu Tax (VLF). The chart below provides a quick overview of General Fund revenue sources.

General Fund Operating Revenues (\$ in Millions)



Sales Tax

Sales tax revenue is estimated at about \$27.3 million for 2005-06. This represents an increase of approximately \$800,000 over the estimated actual revenue for 2004-05. with previously discussed Council. significant portion of the City's sales tax comes from the "business to business" Another significant category is category. Transportation which includes new car sales. Unfortunately, through the fourth quarter of 2004 these categories have continued to Other categories have remained essentially flat with only Construction showing an upward trend. Based on this performance staff is reluctant to forecast any significant growth in the City's sales tax base for 2005-06, and a modest growth rate of 3% is recommended. If the economy shows greater

strength in the upcoming months, there will be an opportunity to revise this revenue at mid-year.

Property Tax

This revenue source continues to reflect both an active real estate market in terms of the number of sales and a market where values outpace inflation. Staff believes that property tax will continue to show strong growth through 2005-06 and has applied a net growth factor of 5% to the estimated 2004-05 property tax Unfortunately, the Governors amount. budget continues to raid the City's property tax base. In addition to the permanent ERAF takeaways, 2005-06 reflects the second of two annual losses of The \$20.7 estimate for \$1.9 million. 2005-06 reflects this takeaway. accordance with Proposition 1A, these funds will return to the city in 2006-07.

Real Property Transfer Tax

This tax is directly related to the number and value of property sales that close in Hayward each year. Over the past few years this revenue has continued to Staff believes that low home increase. mortgage interest rates are a key factor contributing to the growth of this revenue Consequently, as long as the economy continues to enjoy low interest rates this revenue will stay at its current level or higher. The risk, of course, is that interest rates will climb slowing down property sales and/or lowering values. Because of the risk inherent in this revenue source, including the potential for rapid change, staff is recommending a cautious approach to estimating this revenue. Consequently, staff is assuming that generally, Hayward will experience the same level of activity for 2005-06 as being experienced for 2004-05. Allowing for some growth in 2005-06, staff is estimating this revenue at \$7.7 million for next year.

Vehicle License Fee (VLF)

Another revenue source that has shown continued growth is the VLF. Staff estimates that this revenue will generate \$9.1million for 2004-05. The actual revenue for 2004-05 contains a one-time payment stemming from the application of Propositions 57 and 58. Staff has adjusted the revenue base for this one-time item which results in an underlying revenue base for 2004--05 of about \$8.4 million. Staff is estimating that this level will be the same for the next year and is forecasting \$8.4 million for 2005-06.

In addition, the VLF estimate for 2005-06 contains an amount of \$2.2 million for VLF revenue that was "borrowed" by the state. The California 2003-04 budget borrowed three months of VLF backfill owed to local agencies. The State must repay the backfill amounts by August 15, 2006. As a result of recent legislation sponsored by the League of Cities, local agencies can "sell" receivables from the state to a third party and receive funds earlier. A joint powers agency (California Comminutes) is being formed to issue bonds to purchase the receivables from cities and counties. The agency will purchase the VLF receivables from the local entity for about 93% of the full amount. Then the full amount will be collected by the joint powers agency from the State at a later date. The difference between the purchase price and the ultimate collection will pay the cost of financing.

As discussed at the mid-year session, this budget assumes that Hayward will participate in this undertaking. Accordingly, the recommended budget reflects the receipt of \$2.2 million in 2005-06.

Other Sources

In general, other revenue sources are estimated to increase for 2005-06, to varying degrees. In all cases, staff has been conservative in estimating the balance of revenues for the General Fund.

Revenue Estimates-Source of Funds, Utility Funds

As noted in the Mid-Year Budget Review, I indicated that I would be bringing forward proposed fee increases for the utility funds for 2005-06. More specifically, I am recommending adjustments to Sewer and Water Fund connection fees and to Sewer Fund service rates. With respect to the Sewer and Water Fund connection fees, increases are based on a connection rate study and are brought forward to Council every two years. The proposed Sewer Fund service rate increases are based on an annual study which takes into account ongoing operating costs and provides for Both of these capital improvement. recommend increases are discussed in greater detail in the supplemental budget material.

Expenditure Projections – Use of Funds

The largest expenditure category for the General Fund is, of course, Employee Services. The most significant personnel change to the 2005-06 budget is the reopening of Fire Station Number Nine. Another area that is impacting employee service cost is employee benefits, specifically medical insurance and retirement costs.

In addition to the reopening of Fire Station Number Nine, there are a few other personnel changes in the recommended budget that I would like to bring to Council's attention.

City Manager Department

The City's Technology Services Division is located in the City Manager Department. In this division I am recommending three personnel changes which are first, the addition of a GIS Specialist; second, the addition of a Programmer Analyst that will concentrate on Public Safety Systems and third, the deletion of the Public Safety Information System Manager position, which is now vacant.

One of the key projects in the City's two-year technology plan was the implementation of a Geographic Information System (GIS) system. Just recently, Council saw a demonstration of the City's GIS system. The GIS system has met the expectations of staff as an efficient and reliable tool. Staff production is enhanced many times over and the quality and types of analysis that can be accomplished are numerous.

During the development stage, staffing for this project was included in the City's Capital Improvement Plan (CIP) budget. The project, however, has moved out of the development stage and is now available for staff use. To continue to reap the benefits of the system, it must be maintained and there must be ongoing development. To support this effort I am recommending the addition of a GIS Specialist position to the Technology Services Division. As an offset to the addition of this new position I am recommending that the position of Public Safety Information System Manger, which is unfilled, be deleted. With the integration of Public Safety technology services under the Technology Services Division the duties of this position have been largely assumed by the Technology Services Director.

Finally, I am recommending that Programmer Analyst position be added to concentrate on Public Safety Systems. Continued development of capabilities in this area requires a Programmer Analyst to update and develop existing maintain, systems. While this mission critical work could be accomplished by existing staff, the negative impact to other City systems would be too great. This addition of this position is included in the recommended budget.

Utility Funds

The Water and Sewer utility funds share the cost of a Utilities Maintenance Mechanic Group. This group provides maintenance to both the water and wastewater systems. A review of existing maintenance schedules coupled with several new facilities coming on line clearly indicates a need for additional staff. Consequently I am recommending the

addition of one Maintenance Mechanic and one Electrician to the Utilities Maintenance Mechanic Group. These two positions will significantly increase the City's ability to properly maintain these critical facilities.

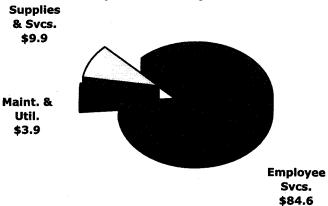
A second area of concern has to do with the Utilities Engineering Section. Similar to the Utilities Maintenance Mechanic Group, the water and wastewater utility funds share the cost of an engineering section. Both the water and wastewater funds have substantial projects planned, the CIP as noted in Budget. Consequently, I am recommending the addition of one Associate Civil Engineer position to assure the improvement projects move forward in a timely fashion.

As discussed earlier, non-employee expenditures for 2005-06 are budgeted at 2004-05 levels. This level of funding holds the line from a dollar standpoint, but requires departments to absorb any price increases. Nonetheless, I believe that this cost cutting is necessary to minimize the need to use contingency funds to balance the budget.

The last area of non-employee expenditures is Capital Expense. Council will note that this category has been increased by \$150,000 over the prior year, (from \$75,000 to \$225,000). This additional funding will be used to acquire non-lethal energy systems (TASER), and digital audio recorders for the Police Department. As more fully discussed in the supplemental budaet material provided separately, this equipment will be deployed to reduce the risk of officer injury and injury to resisting subjects by providing an alternative to traditional compliance measures. The digital audio equipment that I am recommending will provide additional safeguards for both officers and the public by recording police actions. The benefits to individual police officers, the public and the general liability justify exposure of the City the implementation of these two programs.

The pie chart which follows provides a quick overview of the relationship of the expenditure categories.

General Fund Operating Expenditures (\$ in Millions)



Employee Related Costs

Personnel salary and benefit expenses comprise approximately 85% of the City's General Fund operating costs. For 2005-06, all negotiated salary and benefit increases, if any, are factored into the expenditure assumptions. It should be noted that except for Fire, no other bargaining unit is receiving a salary increase. The increase in Fire comes after two years of zero increases, which is the same pattern with the remaining employee groups. Employee benefit costs increased substantially for 2005-06. For example. medical insurance rates increased on the average by 18%. The City's Public Employee Retirement System (PERS) employer contribution rates increased from 7.8% to 11.6% for Miscellaneous employees, from 26.7% to 29.3% for Police employees and from 26.5% to 29.1% for Fire employees.

For fiscal year 2004-05 the City was able to utilize a 30 year amortization period for the unfunded liability of the City's Public Safety units retirement plans. This election resulted in a significant savings and lowered the City's contribution rate by approximately 6%. For 2005-06, the increase in the PERS employer contribution rate for Miscellaneous employees provides a similar opportunity for savings. By electing a 30 year amortization period for the

plan's unfunded liability the City will realize a savings of approximately \$300,000. Utilizing a longer payback period is often done by agencies to create a more uniform contribution level over time and does not in any way jeopardize the financial soundness of the City's Plan(s). The lower rate for Miscellaneous employees has been used in budgeting for employee services for 2005-06.

Non-Personnel Expenditures

The other primary expenditure categories, Maintenance and Utilities and Supplies and Services and Capital have been held at the levels of the 2004-05 budget, while increased slightly capital have previously mentioned. To the extent that there are price increases that apply to these categories, the departments have been able to absorb these additional costs. While I am confident that basic not service levels are significantly recommended impaired bv the expenditure levels, there is little room for added programs.

State Budget Actions

Unfortunately, a disclaimer referencing the State's budget crises has become a required component of local government budgets. This has not changed for 2005-06. While the passage of Measure 1A in November of 2004 ties the State's hands with respect to future take-aways, it is best to not underestimate the ingenuity of Sacramento. However, at least for the moment, there is nothing on the horizon that threatens local revenues, as has been the case in the past.

CLOSING REMARKS

Hayward, along with many other California local government entities, has weathered a series of budget storms fueled by a sluggish economy and State budget decisions. The waters are not calm yet; however, I believe we are heading for a period of relative stability. If this prediction holds true, I hope to reintroduce

a two year budget starting in 2006-07. For this upcoming year we must all work hard to maintain our level of service to the public and tackle important objectives for the year. Overall, I think the City, following the polices of Council, is in a satisfactory financial condition and able to respond to any challenges that may present themselves.

We all look forward to working with Council to implement the many important projects contained in the budget and to continue to provide excellent service to Hayward residents.

I would be remiss if I did not acknowledge and thank all of the individuals who are instrumental in developing and producing this budget. The City of Hayward is fortunate to have a competent and dedicated staff and I extend my sincere thanks to those responsible for their efforts toward the completion of this budget.

Respectfully submitted,

Jesús Armas City Manager

FY 2005-06 OPERATING BUDGET MODIFICATIONS:

Mayor and Council

Under 2004-05 Accomplishments, add the following:

• Provided policy direction regarding possible redevelopment of the La Vista Quarry into a residential subdivision.

Under 2005-06 Objectives, add the following:

- Provide policy direction for the South Hayward BART Concept Study.
- Complete performance evaluations of City Council appointees.

Human Resources

Under 2005-06 Objectives, add the following:

Continue to develop and provide organizational and staff development training.

Community and Economic Development

Under 2004-05 Accomplishments, add the following:

• The City, along with its partners, renewed the Hayward Area Shoreline Planning Agency (HASPA) Joint Exercise of Powers Agreement for five years.

Redevelopment Agency

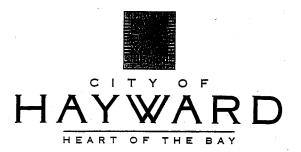
Under 2005-06 Objectives, add the following:

• Continue implementation of the Cannery Area Plan.

Paratransit Program

Under 2005-06 Objectives, add the following:

- Provide the following paratransit gap services: Same-Day Medical Trips, Prescheduled Non-medical Trips, Recreation and Non-medical Group Trips.
- Continue, in partnership with the Alameda County Transportation Improvement Authority and other jurisdictions, Hospital Discharge Paratransit Services (for residents without other transportation resources) and Paratransit Waiting Areas at local hospitals designed to help drivers and passengers connect with one another.



May 5, 2005

Honorable Mayor and City Council:

This letter serves to transmit the Five-Year Capital Improvement Program (CIP) for your consideration. The City Council will review this document during a work session later this month. Beforehand, the Planning Commission will have reviewed the document for conformance with the General Plan.

The draft before you contains description sheets for each current project as well as identified future projects. In addition, an overview of program changes is offered in the Project Changes and Modifications section beginning on page 9.

Although economic conditions have started to stabilize over the past year, the CIP for FY 2005-06 remains conservative and is again presented as a one-year budget. This is intended to allow Council the greatest flexibility in responding to future changes in the City's revenues and financial needs. The importance of this flexibility becomes especially apparent when considering capital projects that require the expenditure of unrestricted monies, primarily from the General Fund.

The five-year Capital Improvement Program continues to remain committed to the Council's desire to enact or implement certain programs or projects, such as the expanded sidewalk rehabilitation program. The next five years include \$2.8 million in funding towards this program. Additionally, over \$3.2 million will be expended on pedestrian and bicycle improvements, including the installation of new sidewalks near schools and other areas heavily traveled by pedestrians, plus another \$600,000 is included for wheelchair ramps to be installed at various locations throughout the City. To improve pedestrian safety around the Library Plaza, \$60,000 has been allocated next year for a new project to analyze and improve pedestrian lighting for the main library. These and other expenditures designed to benefit and encourage pedestrian and other non-vehicular activity in Hayward's neighborhoods are highlighted in the Livable Streets section of the CIP.

The City's pavement rehabilitation program allocates over \$19 million for patching, slurry seal, pavement overlay, and pavement reconstruction. Significant to this effort is the more than \$8.7 million that is projected to be received for local transportation needs from Measure B and another \$1.2 million from federal and state programs.

After years of controversy, progress has been made on addressing traffic congestion in the Route 238 Corridor. With the recent approval by the Alameda County Transportation Authority of the Route 238 Corridor Improvement Project, this document contains funding to move forward toward completion of these improvements. Over \$2.5 million in traffic mitigation funds from the Stonebrae development have been included in the Route 238 Trust Fund of which \$1.5 million are programmed next year to prepare the environmental documentation for this project. These City contributions will be credited towards our \$11.5 million in local matching funds required to secure \$80 million from ACTIA for this project.

The Council's previous direction regarding improvements to the City's public infrastructure continues to be addressed through increased funding for major sewer and water system projects as identified in updates to the Sewer and Water System Master Plans, as well as in the Water and Sewer System Seismic Study. In order to finance these necessary repairs and improvements, the budget assumes planned transfers from the sewer and water operating funds to the capital funds, \$42 million in State Revolving Fund borrowing, and \$4.5 million in additional borrowing for the Water System.

Sewer System projects total approximately \$72 million over the five-year period, including \$46.5 million for the Water Pollution Control Facility Improvement - Phase I project as well as sewer improvements at various locations throughout the City. Similarly, Water System capital expenditures total over \$31 million with projects designed to improve water quality, provide flexibility to meet emergency needs, and allow the City to be better prepared for a major earthquake. Also included is approximately \$2.4 million from the San Francisco Public Utility Commission and the East Bay Municipal Utility District to complete work on the Regional Water System Intertie Project that will interconnect EBMUD and SFPUC water systems for use in emergencies and/or major planned outages.

This year's program continues improvements to the Hayward Executive Airport based on the Airport Master Plan. The five-year program includes almost \$10.5 million in airport projects, and assumes new and expanded projects will be partially funded through FAA grants and a \$2.4 million low-interest loan from the State Airport Fund for new hangar development. New FAA procedures and reduced projections for future Airport Improvement Program funds resulted in extending the timeframe for implementation of master plan projects. One of the larger projects scheduled for completion in FY 2005-06 is the widening of the departure entrance to Runway 28L, which will accommodate the size and type of aircraft currently operating at the Airport.

In conclusion, attached to this letter is a summary of the key assumptions (Attachment A) that were used in preparing the Five-Year CIP. The staff and I look forward to discussing projects and issues embodied in this capital plan.

Respectfully submitted,

Jesús Armas City Manager

2005-2006 Five-Year Capital Improvement Program Working Assumptions

1. Interest Rates: Rate of return on existing fund balances - 3% per year.

Projected interest rate on City borrowing - based on current market

information - 5.0% per year.

2. Construction Inflation Rate: 3% per year.

- 3. Monies received from Gas Tax have been escalated at about one percent per year through 2009-10, and transfers to the General Fund from the Gas Tax Fund to support eligible expenditures have been projected to increase at one percent per year.
- 4. Revenues received from Proposition 111 (Gas Tax) have also been escalated at one percent per year through 2009-10.
- 5. Transfers of Gas Tax Fund monies to the General Fund are assumed in the amount of \$1,277,000 in 2005-06, increasing to \$1,329,000 in 2009-10.
- 6. Based on projections provided by the Alameda County Transportation Authority, anticipated revenue from the Measure B program is assumed to be \$1,640,000 in 2005-06, \$1,689,000 in 2006-07 (an increase of 3 percent), and to increase at an estimated 3 percent per year to \$1,846,000 in 2009-10.
- 7. Monies received from the Measure B Non-Motorized Fund for pedestrian and bicycle improvements are assumed to be \$349,000 in 2005-06 and \$359,000 in 2006-07 (an increase of 3 percent), and to increase at an estimated 3 percent per year to \$392,000 in 2009-10.
- 8. Transfers of \$240,000 per year from the Route 238 Trust Fund to the Street System Improvements Fund in 2005-06 through 2009-10 are assumed to continue support for the New Sidewalk Program.
- 9. Reduced transfer of \$250,000 in 2005-06 and continuation of the \$350,000 per year transfer from the General Fund to the Transportation System Improvement Fund in 2006-07 through 2009-10 is assumed and provides funding for transportation projects.
- 10. Although not shown as a specific project since PG&E will do the work, use of an estimated \$9,600,000 in Rule 20A monies allotted to the City will allow for completion of the undergrounding of utilities on Mission Boulevard from Sycamore Avenue to Arrowhead Way. Based on Rule 20A allocations to date, it is projected that this will use our allocation through the year 2009.
- 11. Based on immediate budget needs and savings from the purchase of the streetlight system in FY 2004-05, a reduced transfer from the General Fund to the Street Lighting fund of \$20,000

was made; however, the transfer will increase to \$320,000 during 2005-06 and is projected to continue at this level through 2009-10. The transfers will fund debt service through fiscal year 2009-10 and fund the continuing need to purchase new and replacement lights when required for safety and security.

- 12. Planned transfers from the sewer and water operating funds to the capital funds, \$42,000,000 in borrowing for the Sewer System and \$4,500,000 in borrowing for the Water System allows for critical capital projects identified in the Sewer and Water System Master Plan Updates, plus the Water and Sewer Seismic Study, to be accomplished.
- 13. Contributions totaling \$15,624,000 received from the SFPUC and EBMUD under a Joint Powers Agreement with the City are assumed in Fund 627 to allow construction of the Regional Water System Intertie Project.
- 14. Continued transfers from the Airport Operations Fund and from a low interest State Airport Fund Loan of \$2,400,000 provide funding for Airport Capital Improvement Projects identified in the Airport Master Plan.
- 15. The Program reflects expected cash flow in future program years and Council appropriations carried forward in the current year.



CITY OF HAYWARD AGENDA REPORT

AGENDA DATE	05/31/05
AGENDA ITEM	
WORK SESSION ITEM	***************************************

TO:

Mayor and City Council

FROM:

Acting Finance Director

SUBJECT:

Master Fee Schedule for 2005-2006

RECOMMENDATION:

It is recommended that City Council review and comment on this report regarding proposed changes to the Master Fee for fiscal year 2005-06.

DISCUSSION:

Each year, staff reviews the Master Fee Schedule to ensure that the various fees and service charges are appropriate and within State Guidelines. A review was conducted for the fiscal year 2005-2006 and based on that review several changes are recommended for Council's consideration.

The recommendations contained in this document have been developed pursuant to applicable Government Codes, and the City's cost recovery policy. Changes to the Master Fee Schedule are explained in detail under departmental narratives, which follow. For ease of reference, all fee changes to the Master Fee Schedule are in table form. The summary tables give a brief description of the current fee, proposed fee and the reason for the increase.

The current fees represent the amounts adopted by Council. The proposed fee is staff's recommendation.

A complete copy of the current Master Fee Schedule is on file in the City Clerk's Office. The current Master Fee Schedule has all changes adopted by the Council during the current fiscal year, including cost of living adjustments to certain fees provided for by earlier Council action.

ALL DEPARTMENTS

Some very low-income customers are offered exemptions for certain services based on their income levels. The Alameda County income limit is annually updated and is used to update the Master Fee Schedule to the 2005 very low-income limits.

Family Size	Current Income Levels Not to	Proposed Income Levels Not to
	Exceed	Exceed
1 Member	\$28,050	\$29,000
2 Members	\$32,050	\$33,100
3 Members	\$36,050	\$37,250
4 Members	\$40,050	\$41,400
5 members	\$43,250	\$44,700
6 Members	\$46,450	\$48,000
7 Members	\$49650	\$51,350
8 Members or More	\$52,850	\$54,650

Department of Finance and Internal Services

There are three fees charged to assessment districts for the administration services performed by the City. The Master Fee Schedule provides for an annual adjustment of those fees to reflect changes in the San Francisco Bay Area Consumer Price Index. The December 2004 change is 2.2 percent. The summary of proposed changes, which follows, indicates the recommended changes.

Service Type	Current Fee	Proposed Fee	Reason for Increase
Assessment District Fees			
Establishment Fee	\$2,789.00	\$2,850.00	Per Bond Terms
Annual Administration Fee	\$2,654.00	\$2,712.00	Per Bond Terms
Bond Call Fee	\$ 272.00	\$ 278.00	Per Bond Terms

Department of Public Works

Airport Services

These fees are being adjusted in accordance with City policy. The policy states "Every other year (biennially) on odd numbered years (2003, 2005), all aircraft parking and storage charges for the ensuing 24 month period shall be adjusted proportionally upward 75 percent of the percentage increase in the All Urban Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area." The 24-month period the CPI is 3.67 percent. Seventy-five percent of the CPI is 2.75 percent. Staff multiplied each current rate by 2.75 percent and rounded the results to the nearest dollar.

Rental Fee Description	Current Fee	Proposed Fee	Reason for the Increase
	Hanger Space	Hanger Space	
Row A Hanger	\$195.00	\$200.00	Per Policy
T-Hanger	\$273.00	\$281.00	Per Policy
Large T-Hangers	\$401.00	\$412.00	Per Policy
Executive Hangers	\$851.00	\$874.00	Per Policy
	Storage Space	Storage Space	
Small	\$ 57.00	\$ 59.00	Per Policy
Medium	\$ 73.00	\$ 75.00	Per Policy
Large	\$140.00	\$144.00	Per Policy
Extra Large	\$178.00	\$183.00	Per Policy
	Tie Downs	Tie Downs	Per Policy
Single Engine	\$ 58.00	\$ 60.00	Per Policy
Twin Engine	\$ 73.00	\$ 75.00	Per Policy
Aircrafts 12,501-25,000	\$105.00	\$108.00	Per Policy
Pounds			
Aircrafts 25,501-75,000	\$157.00	\$161.00	Per Policy
Pounds	· ·		
Excess of 75,000 Pounds	\$210.00	\$216.00	Per Policy
	Transient Overnight	Transient Overnight	
	Tie Downs	Tie Downs	
Single Engine	\$ 5.00	No Change	Per Policy
Twin Engine	\$ 7.00	No Change	Per Policy
Aircrafts 12,501-25,000	\$ 10.00	No Change	Per Policy
Pounds			
Aircrafts 25,501-75,000	\$ 23.00	No Change	Per Policy
Pounds	·		
Excess of 75,000 Pounds	\$ 29.00	No Change	Per Policy
Lighter-than-Air Airship	\$ 20.00	No Change	Per Policy

Recommended by:

Diane Lewis, Acting Finance Director

Approved by:

Jesús Armas, City Manager



CITY OF HAYWARD DEPARTMENT OF PUBLIC WORKS May 13, 2005

TO:

CITY MANAGER

FROM:

DIRECTOR OF PUBLIC WORKS

SUBJECT:

PROPOSED 2005-06 WATER CONNECTION FEES

BACKGROUND:

In order to ensure that water connection fees are set at the appropriate level, prepared in a fair and equitable manner, and are in keeping with current law, the City hired the firm of Hilton, Farnkopf, and Hobson (HFH) in January 1999 to prepare a new water connection rate study. HFH recommended as part of its study that water connection fees be reviewed at least every two years to revise costs as needed, add new projects, review assumptions regarding project cost allocations to new development, and update the number of new connections (known as equivalent dwelling units or EDUs) anticipated through the planning period. In accordance with this recommendation, City staff utilized the computer model developed by HFH to update the calculations in 2001, 2003 and again in 2005.

Water connection fees, also referred to as facilities fees, are one-time fees paid by those wishing to connect a new facility to the public water system. The current water facilities fee for a standard 5/8 inch connection is \$4,343 per dwelling unit. The water connection fee is proposed to be increased to \$4,610.

The purpose of utility connection fees are to: 1) defray the expenses paid for by the current customers over the years for development and improvement of the system to date, which makes it possible for new development to connect to the existing system; and 2) pay for the incremental cost of the future expansions and improvements that may be necessary to accommodate new development and future growth. Connection fees ensure that adequate funding is available for necessary improvements without shifting the burden of paying for system expansion to existing rate payers and without the risk that system improvements will fall short of the needs to accommodate future growth. Water connection fees are typically charged at the time that water connections are approved for new residential, commercial and industrial developments.

DISCUSSION:

The connection fee analysis indicates that it is appropriate to increase water facilities fees by about 6.1%. For example, the fee for a standard residential 5/8-inch connection would be increased from \$4,343 to \$4,610. Water facilities fees for larger connections would increase by the same percentage.

The projects included in the fee analysis will add system capacity to meet future demands and maximize existing storage capacity. New projects incorporated into the facilities fee calculation also include those recommended in the Capital Improvement Program to improve seismic reliability of the water system. With the exception of minor cost adjustments, this cost information did not change significantly since 2003. Rather, the recommended increase is largely a function of a 6% decrease in the number of EDUs to be developed through 2020.

The following table summarizes the current and proposed water connection fees, by meter size:

Meter Size	Current Connection Fee	Proposed Connection Fee
5/8 inch	\$4,343	\$4,610
3/4 inch	\$6,510	\$6,920
1 inch	\$10,860	\$11,530
1 ½ inch	\$21,720	\$23,050
2 inch	\$34,740	\$36,880
3 inch	\$69,490	\$73,760
4 inch	\$108,580	\$115,250
6 inch	\$217,150	\$230,500
8 inch	\$347,440	\$368,800
10 inch	\$499,450	\$530,150

Staff surveyed neighboring jurisdictions and tabulated their water connection fees in Exhibit A. The proposed water facilities fee of \$4,610 falls into the low end of the range of water facilities fees collected by other agencies.

It is recommended that the water connection fees, as proposed, be effective on October 1, 2005.

Attachments: Exhibit A – Comparison of Water Connection Fees with Nearby Agencies

EXHIBIT A

CITY OF HAYWARD

Water Connection (Facilities) Fees Comparisons with Nearby Agencies

Fee for Single-Family Residential Unit (5/8 inch meter)

Agency	Water Connection Fee
Contra Costa Water District (Concord, Walnut Creek)	\$15,004
Zone 7 Water Agency (Wholesale agency serving Pleasanton, Livermore, Dublin)	\$13,050
EBMUD – Region 5 (Castro Valley, Unincorporated Hayward hill area)	\$7,210
Alameda County Water District	\$5,384
Dublin San Ramon Services District	\$5,200
City of Hayward (Proposed)	\$4,610
City of Hayward (Current)	\$4,343
EDMUD – Region 1 (San Lorenzo, San Leandro)	\$3,090

Prep. 4/12/05



CITY OF HAYWARD AGENDA REPORT

7 100	
AGENDA DATE	05/31/05
AGENDA ITEM	
WORK SESSION ITEM	

Attachment E

TO:

Mayor and City Council

FROM:

Acting Director of Finance and Internal Services

SUBJECT: Review of Community Promotion Program

The Community Promotion Program provides grant funding for events and activities that benefit Hayward residents. Over the past several years, the Council has allocated between \$112,000 and \$180,000 annually to local groups. Grants have been provided in amounts from \$200 to \$47,750 to fund various organizations and activities.

The following Council approved categories were used to establish eligibility:

- 1. Celebrate cultural diversity
- 2. Promote the arts
- 3. Recognize the history of Hayward and its future

In light of the City's budget shortfall, at the mid-year budget review, the Council agreed to maintain the 2004-05 funding level of \$150,000 into 2005-06.

For this funding period, fifteen organizations submitted an application. Of that number, 14 were previously funded and one previously unfunded. All 15 applicants met the eligibility criteria established by Council.

Exhibit A provides a listing of applicant funding requests. In comparing the 2004-05 awards to the 2005-06 request - two returning applicants requested a decrease in funding, five returning organizations requested the same funding level, seven returning applicants requested an increase in funding; and one organization applied which was previously unfunded. In addition, the Hayward Municipal Band made a one-time additional request for new uniforms. The total amount requested is about \$45,000 above the available funding of \$150,000.

During the FY 2004-05 hearing for Community Promotion Program funding, Council members requested additional information regarding event attendance, fundraising efforts, and percentage of City funding in relationship to the events overall budget. In response to this request, staff has attached Exhibit B which summarizes this information for each of the 15 applicants. Staff is simply reporting the information provided by the applicants, and has not independently verified information pertaining to, for example, attendance.

In light of the City's budget shortfall, staff recommends that requesting agencies be funded at the prior year's level. Because two agencies requested less than the prior year's level, there is a slight savings of \$1,846.

One applicant, the Hayward Zucchini Festival has not been granted funding in the past. Staff does not recommend funding the Zucchini Festival at the requested level of \$20,000 due to the constraint of the overall funding level of \$150,000 and because fully funding the Hayward Zucchini Festival would require a significant reduction to other applicants. Council may wish to allocate the small remaining amount of \$1,846 to the Hayward Zucchini Festival. Even though the amount is far less than requested, it would represent some amount of financial support by the City.

Staff recommends that the Hayward Municipal Band one-time additional request of \$11,000 for new uniforms not be granted in light of current funding constraints.

Representatives of each of the organizations requesting Community Promotions Program funds will be notified of the time and location of the May work session and will be invited to attend. Additionally, they will be notified of the public hearing, which will be held on Tuesday, June 7, 2005, at which time representatives are welcome to speak to Council regarding their funding requests.

Recommended by:

Diane Lewis, Acting Finance Director

Approved by:

Jesús Armas, City Manager

Attachments: Exhibit A - 2005-06 Community Promotion Application Funding Requests

Exhibit B – 2005-06 Community Promotion Application Summary Exhibit C – 2005-06 Community Promotion Applications Binder

Program Name	Adopted FY 2004-2005	Requested FY 2005-2006	Difference	
Decreased Request (Two Applicants)				
1 Bay Area Blues Society Hayward-Russell City Blues Festival	\$31,379	\$30,000	(\$1,379)	
2 Hayward Forum of the Arts / Sun Gallery Art Education and Exhibition Facility	\$37,467	\$37,000	(\$467) (\$1,846)	
Same requested as FY 2004-05 (Six Applicants)				
1 Admission Day Celebration Committee Admission Day Celebration	\$200	\$200	<i>\$0</i>	
2 Dr. Martin Luther King, Jr. Birthday Committee Dr. Martin Luther King, Jr. Birthday Celebration	\$2,000	\$2,000	\$0	
3 Hayward Municipal Band Hayward Concert Series	\$18,509	\$18,509	\$0	
Hayward Volunteer Recog and Awards Dinner 4 Steering Committee		V		
Hayward Volunteer Recog and Awards Dinner	\$2,000	\$2,000	<i>\$0</i>	
5 Memorial Day Celebration Committee Memorial Day Celebration	\$800	\$800	\$0	
6 Veteran's Day Observance Committee Veteran's Day Observance	\$300	\$300	<u>\$0</u> \$0	
Increased request in funding from FY 2004-05 Six Applicants;				
1 Hayward Arts Council Art Promotion	\$23,848	\$30,000	\$6,152	
2 Hayward Honor Band / Hayward Arts Council Hayward Honor Band	\$7,830	\$10,000	\$2,170	
3 La Alianza de Hayward Cinco de Mayo / Mexican Independence Program	\$3,111	\$4,000	\$889	
4 Pacific Chamber Symphony Music Program	\$10,191	\$13,000	\$2,809	
5 South Hayward Lion's Club Fourth of July	\$6,464	\$8,250	\$1,786	
6 Youth Orchestra of Southern Alameda County Signature Concert Series	\$5,901	\$7,500 _	\$1,599 \$15,405	
In addition to funding at FY 2004-05 level, requesting a one time additional allotment				
1 Hayward Municipal Band Hayward Concert Series Request additional funds for new uniforms	\$0	\$11,000	\$11,000 \$11,000	
New applicant - previously unfunded				
1 Hayward Zucchinni Festival Hayward Zucchinni Festival	\$ 0	\$20,000 _	\$20,000 \$20,000	
Total E - 3	\$150,000	\$194,559	(\$44,559)	

Bay Area Blues Society Hayward-Russell City Blues Festival Hayward Forum of the Arts / Sun Gallery Art Education and Exhibition Facility Admission Day Celebration Committee Admission Day Celebration Or. Martin Luther King, Jr. Birthday Committee Or. Martin Luther King, Jr. Birthday Celebration Hayward Municipal Band Hayward Concert Series	Grant Category Cultural Diversity Promote Arts Cultural Diversity Cultural Diversity	3,000 11,500 100 1,850	Fundraising / Fees/Donations Yes Yes Yes	\$95,815 \$62,350 \$4,289	\$30,000 \$37,000 \$200	% of City Support 31% 59%
Hayward-Russell City Blues Festival Hayward Forum of the Arts / Sun Gallery Art Education and Exhibition Facility Admission Day Celebration Committee Admission Day Celebration Or. Martin Luther King, Jr. Birthday Committee Or. Martin Luther King, Jr. Birthday Celebration Hayward Municipal Band	Promote Arts Cultural Diversity Cultural	11,500	Yes	\$62,350	\$37,000	59%
Hayward-Russell City Blues Festival Hayward Forum of the Arts / Sun Gallery Art Education and Exhibition Facility Admission Day Celebration Committee Admission Day Celebration Or. Martin Luther King, Jr. Birthday Committee Or. Martin Luther King, Jr. Birthday Celebration Hayward Municipal Band	Promote Arts Cultural Diversity Cultural	11,500	Yes	\$62,350	\$37,000	59%
Admission Day Celebration Committee Admission Day Celebration Admission Day Celebration Or. Martin Luther King, Jr. Birthday Committee Or. Martin Luther King, Jr. Birthday Celebration Adayward Municipal Band	Arts Cultural Diversity Cultural	100				
Admission Day Celebration Or. Martin Luther King, Jr. Birthday Committee Or. Martin Luther King, Jr. Birthday Celebration Hayward Municipal Band	Diversity Cultural		Yes	\$4,289	\$200	 -
Or. Martin Luther King, Jr. Birthday Celebration Hayward Municipal Band		1,850				5%
			Yes	\$2,350	\$2,000	85%
	Promote Arts	1,800	No	\$18,509	\$18,509	100%
layward Volunteer Recog and Awards Dinner Steering Committee layward Volunteer Recog and Awards Dinner	Recognize Hayward	350	Yes	\$12,250	\$2,000	16%
	Cultural Diversity	1,000	Yes	\$2,400	\$800	33%
	Cultural Diversity	2,000	Yes	\$3,400	\$300	9%
	Promote Arts	8,000	Yes	\$56,700	\$23,848	42%
	Promote Arts	500	Yes	\$9,100	\$7,830	86%
	Cultural Diversity	4,000	Yes	\$7,704	\$3,111	40%
	Promote Arts	3,500	Yes	\$63,802	\$10,191	16%
	Cultural Diversity	3,000	Yes	\$11,272	\$6,464	57%
	Promote Arts	500	Yes	\$63,390	\$5,901	9%
	Recognize Hayward	20,000	Yes	\$165,800	\$1,846	1%
	Memorial Day Celebration Memorial Day Celebration Meteran's Day Observance Committee Meteran's Day Observance Mayward Arts Council Mayward Honor Band / Hayward Arts Council Mayward Honor Band Mayward Lion Independence Program Mayoric Chamber Symphony Music Program Mouth Hayward Lion's Club Mourth of July Mouth Orchestra of Southern Alameda County Mignature Concert Series Mayward Zucchinni Festival Mayward Zucchinni Festival Mayward Zucchinni Festival	Memorial Day Celebration Committee Memorial Day Celebration Meteran's Day Observance Committee Meteran's Day Observance Meteran's Day Observance Mayward Arts Council Mayward Honor Band / Hayward Arts Council Mayward Honor Band Mayward Honor Ba	Memorial Day Celebration Committee Memorial Day Celebration Memorial Day Celebration Memorial Day Celebration Meteran's Day Observance Committee Meteran's Day Observance Meteran's Day Observance Mayward Arts Council Mayward Arts Council Mayward Honor Band / Hayward Arts Council Mayward Honor Band / Hayward Arts Council Mayward Honor Band Marts Mayward Honor Band Marts Mayward Honor Band Marts Mayward Mexican Independence Program Music Program Music Program Mounth Hayward Lion's Club Mourth of July Mounth Orchestra of Southern Alameda County Migignature Concert Series Mayward Zucchinni Festival Mayward Zucchinni Festival	Memorial Day Celebration Committee Memorial Day Celebration Memorial Day Celebration Memorial Day Celebration Mesority Mesority	Memorial Day Celebration Committee Memorial Day Celebration Meteran's Day Observance Committee Meteran's Day Observance Mayward Arts Council Mayward Arts Council Mayward Honor Band / Hayward Arts Council Mayward Honor Band Marts Mayward Honor Band Marts Mayward Monor Band Marts Mayward Honor Band Marts Mayward Lioner Band Mayward Mayward Lion's Club M	Memorial Day Celebration Committee Idemorial Day Celebration Cultural Diversity Cult

CITY OF HAYWARD FY 2005-06 GANN APPROPRIATION LIMIT

The following is provided as the result of calculations performed based on applicable state law and information provided in the FY 2005-06 Recommended Operating and Capital Improvement budget documents.

	FY 2005-06
FY 2005-06 Gann Appropriation Limit is:	\$180,756,639
Appropriations subject to the Gann Limit:	-\$68,399,894
Over / (Under) the Gann Appropriation Limit by:	<u>\$112,356,745</u>

NOTE: The appropriation limit calculation detail is available from the Director of Finance and Internal Services.